

Message Text

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ACTION AF-10

INFO OCT-01 EUR-12 EA-10 NEA-11 IO-13 ISO-00 SP-02
ICA-11 AID-05 EB-08 NSC-05 TRSE-00 SS-15 STR-07
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FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03 LAB-04
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R 131715Z MAY 78
FM AMEMBASSY KINSHASA
TO SECSTATE WASHDC 9661
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMCONSUL BUKAVU
AMEMBASSY JIDDA
AMEMBASSY LONDON
AMCONSUL LUBUMBASHI
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TEHRAN
AMEMBASSY THE HAGUE
AMEMBASSY TOKYO
USMISSION USUN NEW YORK

C O N F I D E N T I A L KINSHASA 4747

BRUSSELS ALSO FOR USEEC

E.O. 11652: GDS
TAGS: EFIN, EAID, CG
SUBJECT: BELGIAN RESPONSE TO LATEST MOBUTU PLAN

REF: A) KINSHASA 4596, B) KINSHASA 4731

1. SUMMARY: THE BELGIAN DOCUMENT WHICH DIRECTOR OF PLANNING
MALDAGUE PRESENTED TO GOZ OFFICIALS DURING HIS MAY 1-MAY 5 VISIT
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TO KINSHASA EMPHASIZES ALMOST EXCLUSIVELY FINANCIAL REFORMS WHICH
THE GOVERNMENT OF ZAIRE (GOZ) MUST TAKE TO ENLIST DONOR SUPPORT,
RATHER THAN LONG-RANGE DEVELOPMENT STRATEGY. FINANCIAL STABILI-
ZATION AND IMPROVED MANAGEMENT OF THE ECONOMY ARE LISTED AS THE
TWO PILLARS ON WHICH A RECOVERY PROGRAM MUST BE BASED. STRESSING
THE PAUCITY OF AVAILABLE RESOURCES, THE BELGIANS HAVE ATTEMPTED
TO DEFLATE THE LATEST Z1.8 BILLION MOBUTU PLAN AND TURN IT INTO

A HARD-HITTING ADMINISTRATIVE ACTION PROGRAM. BELGIAN AND GOZ REPRESENTATIVES WILL MEET AGAIN IN BRUSSELS ABOUT MAY 20 TO DISCUSS A NEW GOZ WORKING DOCUMENT FOR THE UPCOMING BRUSSELS CONFERENCE. END SUMMARY.

2. DURING THEIR MEETING MAY 6 (REF A), BELGIAN DIRECTOR OF PLANNING MALDAGUE LEFT THE AMBASSADOR A BELGIAN DRAFT THAT SUGGESTS A BROAD "PHILOSOPHICAL" FRAMEWORK FOR THE GOZ TO FOLLOW IN PREPARING A WORKING DOCUMENT FOR THE JUNE 13-14 BRUSSELS CONFERENCE. THE DRAFT IS NOT A FINANCIAL PACKAGE PER SE AND PURPOSELY AVOIDS SETTING QUANTITATIVE GUIDELINES. AS MENTIONED REFTEL, THE BELGIANS HAVE REQUESTED THAT THE GOZ MEET WITH THE MALDAGUE GROUP IN BRUSSELS ABOUT MAY 20 TO DISCUSS THE GOZ'S FLESHED-OUT VERSION OF THE BELGIAN OUTLINE.

3. THE BELGIANS PROPOSE THREE GOALS FOR THE MOBUTU PLAN:
--RE-ESTABLISHMENT OF SOUND MANAGEMENT PROCEDURES WOULD FOCUS ON THE BANK OF ZAIRE, DEPARTMENT OF FINANCE, AND PUBLIC AND PRIVATE ENTERPRISES, THE COMPLETE AUTONOMY OF THE BANK OF ZAIRE SHOULD BE ASSURED, PARTICULARLY WITH RESPECT TO CONTROL OVER FOREIGN EXCHANGE ALLOCATIONS. ORTHODOX BUDGETARY PROCEDURES SHOULD BE INSTITUTED AT THE DEPARTMENT OF FINANCE BEFORE THE TREASURY DEFICIT CAN BE BROUGHT UNDER CONTROL. FINALLY, PUBLIC ENTERPRISES SHOULD NO LONGER HAVE AUTOMATIC RECOURSE TO THE TREASURY FOR FINANCIAL BAIL-OUTS.
--A FINANCIAL STABILIZATION PROGRAM WOULD RESTRAIN DOMESTIC
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DEMAND, HELP TO RE-ESTABLISH BALANCE IN THE EXTERNAL ACCOUNTS, AND CONTROL DOMESTIC INFLATION. THE IMPORT OF CONSUMER GOODS WOULD HAVE TO BE RESTRICTED. IMPORT PRIORITIES WOULD INCLUDE FUEL AND BASIC RAW MATERIALS TO HELP LOCAL INDUSTRIES, WHICH BELGIANS ESTIMATE NOW WORK AT ONLY 50 PER CENT OF CAPACITY.
--ECONOMIC RECOVERY, THE ULTIMATE GOAL OF THE MOBUTU PLAN, IS DEPENDENT ON THE FIRST TWO GOALS. THE REVITALIZATION OF THE PRODUCTION PROCESS SHOULD INCLUDE A RIGOROUS SELECTION OF INVESTMENT PROJECTS IN COLLABORATION WITH INTERESTED DONOR COUNTRIES AND INTERNATIONAL ORGANIZATIONS. THESE PROJECTS SHOULD BE JUDGED ACCORDING TO THEIR IMPACT ON THE WELL-BEING OF URBAN/RURAL POPULATIONS, EMPLOYMENT, AGRICULTURAL DEVELOPMENT AND THE EXPANSION OF URBAN/RURAL TRANSPORTATION LINKS.

5. COMMENT: THE BELGIAN DOCUMENT REPRESENTS AN ATTEMPT TO GET THE GOZ TO TRIM SAIL ON ITS LATEST DRAFT VERSION OF MOBUTU PLAN (REF B). THE BELGIANS ARE TELLING THEIR GOZ COUNTERPARTS THAT THE INTERNATIONAL DONOR COMMUNITY WILL NOT BE LOOKING FOR A DEVELOPMENT PLAN IN BRUSSELS, BUT A SPECIFIC RESPONSE TO AN EMERGENCY SITUATION. THE MOBUTU PLAN SHOULD, THEREFORE, BE TAILORED TO PRODUCE AN IMMEDIATE IMPACT ON ZAIRE'S ECONOMY AND TO CONVINCE THE INTERNATIONAL COMMUNITY TO LEND ITS SUPPORT.

IN AN ANNEX ATTACHED TO THE DOCUMENT THE BELGIANS HAVE ALSO
REPLACED THE CURRENT MOBUTU PLAN'S Z1.8 BILLION SHOPPING LIST
WITH A MORE MODEST INVESTMENT SCHEDULE REQUIRING APPROXIMATELY
Z282 MILLION IN FINANCING OVER A THREE-YEAR PERIOD. HOWEVER,
LIKE THE LATEST VERSION OF THE MOBUTU PLAN, THE BELGIAN FIGURE
DOES NOT INCLUDE DEBT RESCHEDULING OR EXTERNAL DONOR ASSISTANCE
(SUCH AS PL-480), BUT APPEARS RESTRICTED TO GOZ INVESTMENT
OUTLAYS UNDER ITS CAPITAL BUDGET.
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